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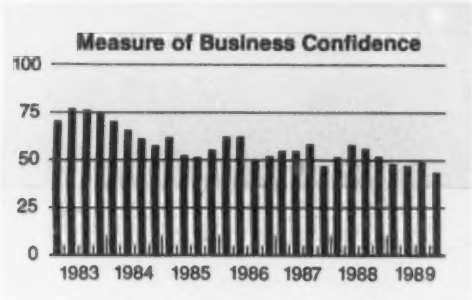
The Conference Board

A Survey of Chief Executives

Business Executives' Expectations

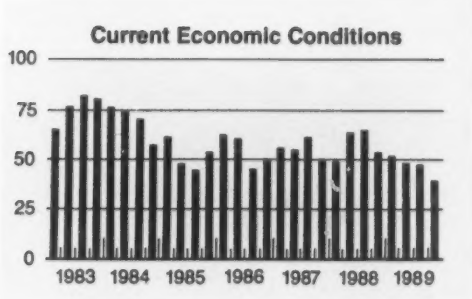
Volume 13, Number 4 **Fourth Quarter 1989**



Business Executives Less Confident

Business sentiment, which had been fairly stable through most of 1989, fell substantially in the fourth quarter. The Measure of Business Confidence registered 43 in the latest survey, down from a level of 49. The current reading is the lowest since the early 1980s.

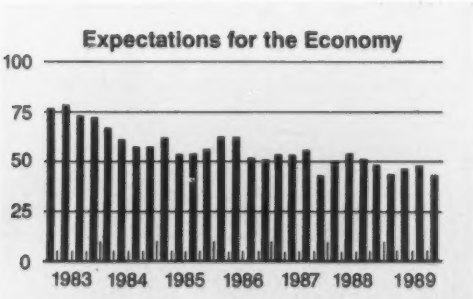
While all components of the indicator were down considerably, the sharpest drop was in executives' assessment of current economic conditions relative to those of six months earlier. This series has declined in each of the past five quarters.



Current Conditions Continue to Worsen

In assessing the economy's performance during the past six months, well over half of those surveyed report that conditions have deteriorated, up from 33% in the third quarter. Only about 10% of respondents say that conditions have improved, down from over 20 percent. This is the most negative appraisal recorded in some eight years.

Business leaders also gave a fairly dreary report of trends in their own industries over the past six months—nearly 50% maintain that conditions have worsened, only 20% say they have improved. Opinion on this issue is moderately less favorable than in the third quarter, and substantially gloomier than in the first half of 1989. Readings are particularly weak in the manufacturing sector.



Low Expectations For First Half of 1990

Executives are also noticeably more pessimistic than last time about the general economic outlook. Over 40% of those surveyed foresee conditions worsening, while less than 15% anticipate improvement. These readings are significantly less positive than those recorded in the prior probe, but not much different from those picked up in early 1989.

Respondents' expectations for their own industries are also lower than last time—some 23% predict improvement, down from 30% in the third quarter. Slightly over 35% expect conditions to weaken, which is moderately more than in the preceding survey, but still a minority. Manufacturers of nondurable goods are considerably less optimistic than last time.

Business Leaders Foresee Little Inflation

Only 8% of CEOs expect selling prices in their primary line of business to rise more rapidly in 1990 than in 1989. Among heads of manufacturing firms, this view was held by only 4% of survey participants. In an identical survey conducted a year earlier, almost one in five respondents—in both manufacturing and services—had anticipated an acceleration in prices in 1989.

Jason Bram

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Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1988	1987				1988				1989			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
MEASURE OF BUSINESS CONFIDENCE	51	55	55	59	47	51	58	56	51	48	48	49	43
Current Economic Conditions vs. 6 Months Ago	50	56	55	62	50	49	64	65	54	52	48	47	39
Expectations for Economy, 6 Months Ahead	51	54	53	56	43	50	54	51	48	43	47	48	43
Expectations for Own Industry, 6 Months Ahead	53	56	56	58	48	54	55	53	51	48	50	51	46
Current Conditions in Own Industry vs. 6 Mos. Ago	50	58	57	61	55	55	62	60	53	54	50	46	41

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1988	1989			
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	51	48	50	51	46
MANUFACTURING	51	47	50	49	45
Nondurables	50	47	52	53	43
Food, Textiles, Apparel	52	48	54	56	43
Paper, Printing, Publishing	48	42	55	54	43
Chemicals, Petroleum, Rubber	50	50	49	51	44
Durables	51	48	50	47	46
Metals	51	44	49	48	46
Machinery	54	54	52	49	49
SERVICES	50	47	48	51	49
Utilities	55	51	48	54	52
Wholesale & Retail Trade	58	49	49	48	46
Banking and Finance	45	44	47	50	42
Insurance	44	44	49	45	55
Business Services	54	50	49	61	58

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1988	1989			
	Q4	Q1	Q2	Q3	Q4
ALL INDUSTRIES	53	54	50	46	41
MANUFACTURING	52	54	50	41	36
Nondurables	53	52	52	45	38
Food, Textiles, Apparel	51	49	52	47	39
Paper, Printing, Publishing	52	53	55	46	32
Chemicals, Petroleum, Rubber	55	53	49	44	41
Durables	52	55	49	39	34
Metals	55	54	51	37	34
Machinery	51	57	49	44	35
SERVICES	47	53	51	51	46
Utilities	60	56	51	56	52
Wholesale & Retail Trade	59	56	53	47	47
Banking and Finance	47	51	49	49	38
Insurance	44	47	50	42	46
Business Services	57	58	49	57	52

Table 4: PRICE CHANGE, 1989 vs. 1988 IN PRINCIPAL LINE OF BUSINESS (percent of respondents)

	Larger Increase	Same Increase	Smaller Increase	No Change	Decrease
All Industries	10.8%	20.8%	28.6%	24.3%	15.4%
Manufacturing	10.0	22.0	32.5	21.5	13.9
Durables	7.4	27.3	29.8	23.1	12.4
Nondurables	14.8	13.6	35.8	18.5	17.3
Services	10.7	19.5	24.3	30.8	14.8

Table 5: EXPECTED PRICE CHANGE, 1990 vs. 1989 IN PRINCIPAL LINE OF BUSINESS (percent of respondents)

	Larger Increase	Same Increase	Smaller Increase	No Change	Decrease
All Industries	7.6%	22.0%	28.7%	26.1%	15.6%
Manufacturing	3.8	22.6	33.2	28.8	11.5
Durables	4.1	26.4	29.8	28.1	11.6
Nondurables	3.8	18.8	35.0	30.0	12.5
Services	9.1	22.8	24.4	28.4	15.2

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

The Conference Board

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The Conference Board

Survey of Chief Executives Volume 14, No. 1 First Quarter 1990

Business Executives Expectations

Business Confidence Rebounds

Business leaders enter the new decade in somewhat higher spirits than they left the last one. The Conference Board's Measure of Business Confidence rose three points to a level of 46 in the first quarter. However, this gain follows a sharp six-point drop in late 1989, when confidence sunk to its lowest level in eight years. Executives have grown considerably more sanguine about prospects for both the general economy and their own industries. However, their already bleak assessment of current economic conditions deteriorated further.

Present Conditions Remain Weak

Nearly 60% of those surveyed said that business conditions were worse in the first quarter than six months earlier; only about 10% reported improvement. These figures are only marginally less favorable than the prior survey's, but substantially weaker than those of a year ago.

In assessing conditions in their own industries, top executives painted a slightly less gloomy picture. About 45% of survey participants said that circumstances worsened, down from nearly 50% previously. Those in the financial industry were particularly negative—nearly two-thirds reported weakening.

Strong Rebound in Expectations

Business executives had very low expectations for the economy at the end of 1989, but have since grown much more optimistic. Roughly 30% of survey participants now expect the economy to improve, while another 30% foresee a worsening. In the prior survey, pessimists had outnumbered optimists by more than 10 percentage points.

Corporate leaders have also become substantially more optimistic about their own industries' prospects. One in three respondents expect that business will get better over the next six months, up from less than one in four previously. There was a particularly large improvement among those engaged in wholesale and retail trade.

Softer Labor Demand Foreseen for 1990

Relatively few chief executives predict any significant job growth this year. Nearly 40% expect employment in their industries to decline this year, while only 12% anticipate increases. In an identical survey conducted in early 1989, the figures were 23% and 19%, respectively.

On a separate question, just over 20% of respondents expect to have greater difficulty finding qualified employees this year than last. In the first quarter of 1989, a full 35% had voiced this worry. Still, this concern continues to be quite prevalent among those in wholesale and retail trade.

Jason Bram

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MEASURE OF BUSINESS CONFIDENCE	55	55	59	47	51	58	56	51	48	48	49	43	46
Current Economic Conditions vs. 6 Months Ago	56	55	62	50	49	64	65	54	52	48	47	39	38
Expectations for Economy, 6 Months Ahead	54	53	56	43	50	54	51	48	43	47	48	43	49
Expectations for Own Industry, 6 Months Ahead	56	56	58	48	54	55	53	51	48	50	51	46	52
Current Conditions in Own Industry vs. 6 Mos. Ago	58	57	61	55	55	62	60	53	54	50	46	41	42

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1989				1990
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	48	50	51	46	52
MANUFACTURING	47	50	49	45	52
Nondurables	47	52	53	43	51
Food, Textiles, Apparel	48	54	56	43	52
Paper, Printing, Publishing	42	55	54	43	50
Chemicals, Petroleum, Rubber	50	49	51	44	51
Durables	48	50	47	46	52
Metals	44	49	48	46	54
Machinery	54	52	49	49	56
SERVICES	47	48	51	49	51
Utilities	51	48	54	52	53
Wholesale & Retail Trade	49	49	48	46	58
Banking and Finance	44	47	50	42	45
Insurance	44	49	45	55	52
Business Services	50	49	61	58	56

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1989				1990
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	54	50	46	41	42
MANUFACTURING	54	50	41	36	40
Nondurables	52	52	45	38	39
Food, Textiles, Apparel	49	52	47	39	40
Paper, Printing, Publishing	53	55	46	32	36
Chemicals, Petroleum, Rubber	53	49	44	41	40
Durables	55	49	39	34	40
Metals	54	51	37	34	33
Machinery	57	49	44	35	47
SERVICES	53	51	51	46	44
Utilities	56	51	56	52	48
Wholesale & Retail Trade	56	53	47	47	43
Banking and Finance	51	49	49	38	35
Insurance	47	50	42	46	47
Business Services	58	49	57	52	51

Table 4: "During the current year, do you expect employment levels in your industry to:"

	All Industries		Manufacturing	
	1989	1990	1989	1990
Increase More Than 2.5%	3%	2%	2%	1%
Increase Less Than 2.5%	16	10	20	7
Remain the Same	58	50	60	54
Decrease Less Than 2.5%	20	30	16	29
Decrease More Than 2.5%	3	7	2	9

Table 5: "Compared to last year, how much difficulty do you anticipate finding qualified employees this year?"

	1986	1987	1988	1989	1990
	Percent Anticipating More Difficulty				
All Industries	21%	19%	23%	35%	21%
Manufacturing	17	17	25	36	17
Nonmanufacturing	25	24	21	35	24

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2 and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

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The Conference Board

Survey of Chief Executives Volume 14, No. 2 Second Quarter 1990

Business Executives' Expectations

Confidence Up Slightly But Still Low

Business leaders were a bit less pessimistic in the second quarter than in the first. In the Board's latest survey, the Measure of Business Confidence edged up two points to a reading of 48. Confidence, which fell sharply at the end of last year, has now recovered to the level that prevailed during the first half of 1989. Still, this is the first time since 1980 that the Measure has remained below 50 (signifying more negative than positive responses) for over a year.

Still Gloomy About Current Conditions

Chief executives now have only a slightly less dreary view of the ongoing business situation than in the first quarter. About one in two maintain that economic conditions have worsened over the past six months; less than one in five say they have improved. In assessing conditions in their own particular industries, opinion is virtually unchanged—47% report weakening, while only about half as many cite improvement.

Expectations: More of the Same

Looking ahead six months, most business leaders continue to foresee no improvement from the current sluggish growth rate. Only 30% expect economic conditions to get better, while about the same percentage feel that they will worsen further; the remaining 40% anticipate no change. These proportions are about the same as those recorded in the first-quarter probe, but far more favorable than at the end of 1989, when pessimists outnumbered optimists by a wide margin. In assessing likely prospects for their own industries, nearly 40% of respondents expect business to improve, while 25% predict the reverse—about the same figures as recorded in the first quarter.

Fluctuations in Dollar Had Small Negative Impact

Changes in exchange rates evidently had little or no effect on the vast majority of U.S. businesses. About 20% of those surveyed say that changes in the dollar's value over the past six months have been harmful for their business, while 8% consider them helpful. Responses to the same question asked a year earlier (after a rally in the dollar) were not much different.

Jason Bram

Business Confidence and Changes in GNP

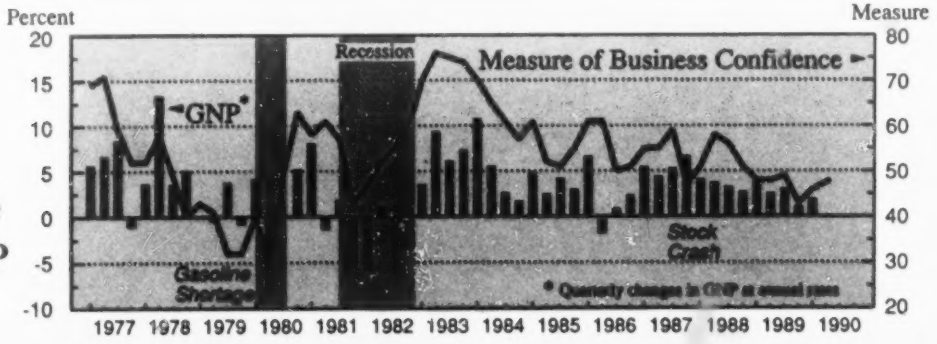

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1987			1988				1989				1990	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
MEASURE OF BUSINESS CONFIDENCE	55	59	47	51	58	56	51	48	48	49	43	46	48
Current Economic Conditions vs. 6 Months Ago	55	62	50	49	64	65	54	52	48	47	39	38	42
Expectations for Economy, 6 Months Ahead	53	56	43	50	54	51	48	43	47	48	43	49	50
Expectations for Own Industry, 6 Months Ahead	56	58	48	54	55	53	51	48	50	51	46	52	52
Current Conditions in Own Industry vs. 6 Mos. Ago	57	61	55	55	62	60	53	54	50	46	41	42	42

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1989				1990
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	48	50	51	46	52
MANUFACTURING	47	50	49	45	52
Nondurables	47	52	53	43	51
Food, Textiles, Apparel	48	54	56	43	52
Paper, Printing, Publishing	42	55	54	43	50
Chemicals, Petroleum, Rubber	50	49	51	44	51
Durables	48	50	47	46	52
Metals	44	49	48	46	54
Machinery	54	52	49	49	56
SERVICES	47	48	51	49	51
Utilities	51	48	54	52	53
Wholesale & Retail Trade	49	49	48	46	58
Banking and Finance	44	47	50	42	45
Insurance	44	49	45	55	52
Business Services	50	49	61	58	56

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1989				1990
	Q1	Q2	Q3	Q4	Q1
ALL INDUSTRIES	54	50	46	41	42
MANUFACTURING	54	50	41	36	40
Nondurables	52	52	45	38	39
Food, Textiles, Apparel	49	52	47	39	40
Paper, Printing, Publishing	53	55	46	32	36
Chemicals, Petroleum, Rubber	53	49	44	41	40
Durables	55	49	39	34	40
Metals	54	51	37	34	33
Machinery	57	49	44	35	47
SERVICES	53	51	51	46	44
Utilities	56	51	56	52	48
Wholesale & Retail Trade	56	53	47	47	43
Banking and Finance	51	49	49	38	35
Insurance	47	50	42	46	47
Business Services	58	49	57	52	51

Table 4: EFFECTS OF CHANGES IN THE DOLLAR'S VALUE DURING FIRST HALF OF YEAR

	1987*	1988	1989	1990
	Percent of Companies			
Very Beneficial	3%	9%	1%	0%
Beneficial	31	38	13	8
Little or No Effect	49	42	63	73
Harmful	15	10	21	17
Very Harmful	2	1	2	2

*Effects of changes in the dollar's value since 1985.

Table 5: EFFECTS OF FINANCIAL MARKET FLUCTUATIONS DURING FIRST HALF OF YEAR

	1988	1989	1990
	Percent of Companies		
Very Beneficial	1%	1%	1%
Beneficial	3	20	6
Little or No Effect	69	71	68
Harmful	24	8	23
Very Harmful	3	0	2

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100, Moderately Better—75, Same—50, Moderately Worse—25, Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

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The Conference Board

Survey of Chief Executives Volume 14, No. 3 Third Quarter 1990

Business Executives' Expectations

Confidence Falls . . . Even Before Invasion

Business Confidence fell sharply in the third quarter, more than erasing the improvement recorded in the first half of the year. The Conference Board's Measure of Business Confidence now stands at 40, the lowest level since 1980. Further, those responding in July—prior to the invasion of Kuwait—were every bit as pessimistic as later respondents. The Middle East crisis has evidently had little effect on business leaders' spirits.

Economy Deteriorated in Third Quarter

An overwhelming majority of top executives give an unsatisfactory appraisal of current economic conditions. Nearly 70% of survey participants report that the economy has worsened over the past six months, compared with less than half in the second quarter. A scant 6% say conditions have improved. Respondents from all sectors report ongoing weakness in their industries; those in Banking and Finance are the most negative.

No Recuperation In Sight

Looking ahead to the next six months, only 15% of business leaders surveyed expect the economy to pick up; close to 50% foresee further deterioration, up from 30% in the second quarter. Such widespread pessimism has not been recorded since early 1980. In assessing prospects for their own industries, expectations are down across the board. Again, executives in Banking and Finance are the most pessimistic.

Reduction in Capital Spending Plans

Nearly 30% of survey participants scaled back their capital spending programs since the beginning of the year—most cited lower sales expectations; only 16% made upward revisions. These proportions are about the opposite of those recorded in an identical survey conducted a year earlier.

Jason Bram

Business Confidence and Changes in GNP

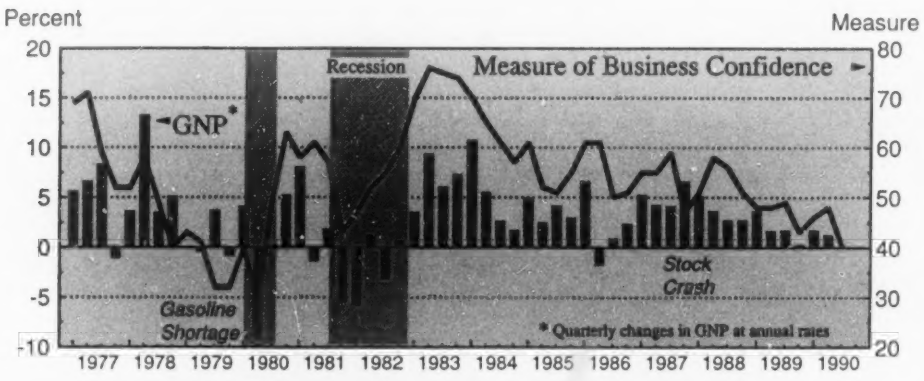

Table 1: BUSINESS EXECUTIVES' CONFIDENCE

	1987		1988				1989				1990		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
MEASURE OF BUSINESS CONFIDENCE	59	47	51	58	56	51	48	48	40	43	46	48	40
Current Economic Conditions vs. 6 Months Ago	62	50	49	64	65	54	52	48	47	39	38	42	33
Expectations for Economy, 6 Months Ahead	56	43	50	54	51	48	43	47	48	43	49	50	41
Expectations for Own Industry, 6 Months Ahead	58	48	54	55	53	51	48	50	51	46	52	52	46
Current Conditions in Own Industry vs. 6 Mos. Ago	61	55	55	62	60	53	54	50	46	41	42	42	39

Table 2: EXPECTATIONS OF BUSINESS CONDITIONS IN OWN INDUSTRY 6 MONTHS HENCE

	Expectations for next 6 months: Own Industry				
	1989		1990		
	Q3	Q4	Q1	Q2	Q3
ALL INDUSTRIES	51	46	52	52	46
MANUFACTURING	49	45	52	52	46
Nondurables	53	43	51	52	47
Food, Textiles, Apparel	56	43	52	52	47
Paper, Printing, Publishing	54	43	50	51	47
Chemicals, Petroleum, Rubber	51	44	51	52	48
Durables	47	46	52	51	45
Metals	48	46	54	53	47
Machinery	49	49	56	53	45
SERVICES	51	49	51	52	48
Utilities	54	52	53	55	52
Wholesale & Retail Trade	48	46	58	55	46
Banking and Finance	50	42	45	46	41
Insurance	45	55	52	55	52
Business Services	61	58	56	55	49

Table 3: ASSESSMENT OF BUSINESS CONDITIONS IN OWN INDUSTRY COMPARED WITH 6 MONTHS AGO

	Current Conditions: Own Industry				
	1989		1990		
	Q3	Q4	Q1	Q2	Q3
ALL INDUSTRIES	46	41	42	42	39
MANUFACTURING	41	36	40	40	38
Nondurables	45	38	39	39	37
Food, Textiles, Apparel	47	39	40	39	34
Paper, Printing, Publishing	46	32	36	36	32
Chemicals, Petroleum, Rubber	44	41	40	42	43
Durables	39	34	40	40	38
Metals	37	34	33	39	42
Machinery	44	35	47	44	39
SERVICES	51	46	44	43	40
Utilities	56	52	48	47	44
Wholesale & Retail Trade	47	47	43	43	40
Banking and Finance	49	38	35	33	29
Insurance	42	46	47	46	43
Business Services	57	52	51	48	42

Table 4: PERCENT OF COMPANIES REPORTING REVISION OF CAPITAL INVESTMENT PROGRAMS

	Up 10% or more	Up less than 10%	No revision	Down less than 10%	Down 10% or more
ALL INDUSTRIES	5%	11%	56%	14%	14%
Manufacturing	5	10	56	13	16
Mining	8	25	50	4	13
Public Utilities	2	21	48	17	12
Banking, Finance	0	5	71	18	5
Trade	4	13	58	13	13

Table 5: REASONS FOR REVISION*

Upward	
Cost of capital fell	4%
Expected return increased	18%
Expected sales volume increased	57%
Other	29%
Downward	
Cost of capital increased	12%
Expected return fell	30%
Expected sales volume fell	60%
Other	21%

*Percentages do not sum to 100% because of multiple responses.

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The **Measure of Business Confidence** is the average of the scores for Questions 1, 2, and 3. The score for each question, and the **Measure of Business Confidence**, thus can range from 0 to 100.

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